



Credit Union National Association

cuna.org

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VIA E-MAIL:

October 25, 2010

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1392 and RIN No. AD7100-AD54 – Proposed Revisions to the Escrow Requirements for Jumbo Loans

Dear Ms. Johnson:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments to the Federal Reserve Board (Board) in response to the proposed rule that would revise the escrow account requirements for “higher-priced,” first-lien “jumbo” mortgage loans. This would implement a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and would increase the annual percentage rate (APR) threshold used to determine whether an escrow account is required for property taxes and insurance for first-lien jumbo mortgages, which are defined as those exceeding the Freddie Mac and Fannie Mae conforming loan size thresholds. By way of background, CUNA is the largest credit union advocacy organization in this country, representing approximately 90% of our nation’s 7,700 state and federal credit unions, which serve 93 million members.

The proposal would revise the provisions of the final rule that was issued in 2008 in which creditors are required to establish escrow accounts for all first-lien mortgages if the APR is 1.5 percentage points or more above the average prime offer rate (APOR) for a comparable transaction. Under the Dodd-Frank Act and this proposal, the escrow account requirement would apply to first-lien jumbo loans only if the loan APR is 2.5 percentage points or more above the applicable APOR, instead of the 1.5 percentage points as originally required in the 2008 rules.



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Although this provision of the Dodd-Frank Act would relieve credit unions and other lenders from complying with the escrow account requirements for first-lien jumbo loans that are between 1.5 and 2.5 percentage points above the applicable APOR, the Board should recognize that lenders will need six to twelve months of additional time to implement this change after the final version of this rule is published in the Federal Register.

This additional time will be especially important for credit unions and others that rely on third parties, such as software vendors. These third parties will need time to incorporate the necessary updates, complete the necessary testing, and then include this change into their regularly scheduled releases. We believe this extended implementation time period will be especially important at this time since lenders and their vendors are preparing for other changes, such as the disclosures changes required under the Mortgage Disclosure Improvement Act that will be effective as of January 30, 2011.

Thank you for the opportunity to comment on the proposed rule that would revise the escrow account requirements for "higher-priced," first-lien "jumbo" mortgage loans. If you have questions about our comments, please contact Senior Vice President and Deputy General Counsel Mary Dunn or me at (202) 638-5777.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey P. Bloch". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jeffrey P. Bloch
Senior Assistant General Counsel